

## **PENSION BOARD MEETING**

**Wednesday, August 14, 2013  
9:00 AM – Fourth Floor Conference Room**

### **MEETING MINUTES**

**Members Present:**

Bill Bruton  
Barry Echols  
Philip Goldstein  
Eric Lockhart

Tim Milligan  
Freddy Morgan  
Jess Zerbe

**Members Absent:**

Mike Hathaway, Annette Lewis

**Ex-Officio Members:**

Shannon Barrett – Secretary / "Acting" Director HR  
Sam Lady – Treasurer / Director of Finance

**Visitors/Guests:**

Scott Arnwine / Ian Janecek – CSG  
Jackie Deckman – PRINCIPAL FINANCIAL  
Judy Burnette – HUMAN RESOURCES - BENEFITS  
Jim Curtis – CITY OF MARIETTA - INTERNAL AUDITOR  
Libby Hammock – HUMAN RESOURCES  
Lori Duncan – CITY OF MARIETTA - FINANCE  
Dan Klepal – AJC

**1. Call to Order / Declaration of Quorum**

Chairperson Lockhart called the meeting to order at 9:03 am. A quorum was present. He directed the Pension Board to his open slide presentation highlighting the total in the Employee Pension Plan currently at: **\$85,914,658**.

**2. Pension Board Minutes for Approval**

Chairperson Lockhart asked the Board to review and approve the following minutes:

May 8, 2013; May 23, 2013; June 5, 2013; July 9, 2013.

**MOTION:**

**PENSION BOARD MINUTES – MAY 8, 2013**

Member Goldstein made the motion to approve the 05.08.2013 Meeting Minutes.  
Second to the motion by Member Bruton

Unanimous approval by the Board

**MOTION:**

**"SPECIAL CALLED" PENSION BOARD MINUTES – MAY 23, 2013**

Member Goldstein made the motion to approve the 05.23.2013 Meeting Minutes.  
Second to the motion by Member Echols

Unanimous approval by the Board

**MOTION:**

**"SPECIAL CALLED" PENSION BOARD MINUTES – JUNE 5, 2013**

Member Morgan made the motion to approve the 06.05.2013 Meeting Minutes.  
Second to the motion by Member Bruton

Unanimous approval by the Board

**MOTION:**

**"SPECIAL CALLED" PENSION BOARD MINUTES – JULY 9, 2013**

Member Bruton made the motion to approve the 07.09.2013 Meeting Minutes.  
Second to the motion by Member Zerbe.

Unanimous approval by the Board

**3. 2<sup>nd</sup> Quarter Investment Performance**

**Ian Janecsek/Scott Arnwine - CSG**

Ian Janecsek & Scott Arnwine were both present and Ian opened the presentation by turning it over to Scott. Scott began his presentation on **Page 2**.

**Asset Allocation vs. Target as of 06.30.13.**

	<u>CURRENT</u>
Equity – 58.1%	\$48,288,104
Fixed Income – 34.2%	\$28,377,951
Alternate Assets – 7.7%	\$6,418,308
Cash 0%	\$3,956
<b>TOTAL – 100%</b>	<b>\$83,088,320</b>

**Page 3 – Cash Flow Summary Totals for YTD Ending June 30, 213**

Beginning Market Value: \$75,243,780  
Ending Market Value: \$83,088,320  
Period Return of: 13.26%

Ian pointed out the 13.26% is a very strong number and YTD we are doing very well.

(Continued)

3. 2<sup>nd</sup> Quarter Investment Performance

Ian Janecsek/Scott Arnwine - CSG

Page 4 - Scott made reference to the **Total Domestic Equity** numbers of 1.8% at 3 months; and then 13.3 YTD. **Fixed** (Russell 3000 growth) is down at 2.2%. He stated that **Total Equities** are expected to be up 7-9% in 1 to 3 years.

Member Milligan stated that **ADVISORY mid cap/small fund** appears to be "lagging". Ian replied that it is his intention to bring replacement options to the Board for review and discussion at the next meeting. Scott pointed out that as shown on page 4 **Advisory** had a return of 21.3% but is below the benchmark. Ian stated that in 2011 Advisory was in the top Quartile but has not done well in 2012/2013.

Chairperson Lockhart inquired as to the urgency of replacing Advisory. Ian responded that, they have been, and would continue looking into replacement candidates. He is of the opinion that to wait a couple of months to finalize this should not be an issue.

Scott added that all the Equity managers are showing positive results for the month, and that convertibles are significantly outperforming.

This concluded the CSG Performance presentation. Ian Janecsek then presented a slide presentation dated August 2013 - entitled:

City of Marietta/BLW Defined Benefit Pension Plan  
Equity and Fixed Income Macro/Micro Market Overview  
(Notes provided by Ian Janecsek)

Equity Valuations for cyclical sectors appear to be trading at a discount. Non-Cyclical sectors are those that are defensive (bread and butter companies) and are trading at a premium due to their high dividend yields.

- See strength in corporate earnings going forward due to:
  - High after tax profits
  - Low leverage. Companies have restructured their balance sheets to take advantage of the current low yield environment. Reducing their cost of capital and increasing their profit margins.
- CSG continues to see opportunities within equities since:
  - High amount of cash within corporate balance sheets. This should support mergers and acquisition activity as well as increasing dividends and share buybacks.
- Fixed Income valuations look rich and the current yield structure is at its lowest point in over 50 years.
- A one percent increase in yields has a pronounced negative effect on treasuries versus credit spread paper like high yield and emerging market debt. There are better opportunities within these credit spread products which are not available to the pension plan due to state laws.

(Continued)

- Rates will go up. It's just a matter of when:
  - The Fed has to taper its quantitative easing program eventually. The Fed's current liabilities are ~\$3.5 trillion versus \$750 billion prior to 2008.
  - The money multiplier is currently at 3.3x. Prior to 2008 it ran at 8.5x. If the money multiplier increases this will add to inflationary pressure.
  - The projected Fed Funds Rate is estimated to go up to ~1.0% sometime in 2014. And the Fed's long-term projection is ~5.0%. Current Fed Fund's rate is between 0.0% and 0.25%.

It is CSG's belief that equities will provide better risk adjusted returns versus fixed income. There is a distinct possibility the economy could be entering a fixed income bear market which would hurt fixed income returns on a total return basis. Therefore CSG will continue to advise the pension plan to fund any cash needs by redeeming from the core investment grade fixed income managers

Presentation concluded at 9:57 am and they left the meeting.

4. **2<sup>nd</sup> Quarter Investment Performance**

**Jackie Deckman – PRINCIPAL**

Jackie provided the Pension Board members with a copy of the current Retirement Plan Review for the 2<sup>nd</sup> Qtr 2013. She opened her presentation by stating that she did appreciate the Market Overview information presented by Ian Janecek of CSG. She pointed out that we are seeing very good returns and are doing well. Included in the presentation package are the current Plan Characteristics and is stated that there are currently 703 participants in the plan.

In reference to Investment Performance, Jackie directed the Board to the following pages:

**Page 29 – ClearBridge – Small Growth** – is the best performer at this time with a YTD 17.66.

**Page 28 – MFS – Large Growth** - has done very well with a YTD 16.47.

**Page 28 – T. Rowe Price – Large Growth** - also is holding up very well due to stock choices and strategic moves (Amazon, Google, Apple.) YTD 10.85

**Page 29 Harbor International (Foreign Large Blend)** – currently over wt. in materials. Jackie feels that there should be no concern at this time as this is only a sector issue and Harbor is a long term fund.

**Page 30 Oakmark Equity & Income Fund (Moderate Allocation)** – 73% stock holdings and are in a better position.

**Pages 31 & 32** She commented that all the Life Time portfolios are doing well.

**4. 2<sup>nd</sup> Quarter Investment Performance**  
**(Continued)**

**Jackie Deckman – PRINCIPAL**

**Page 33 Dodge & Cox (Fixed Income – Intermediate Term Bond)** Jackie commented that this fund is well positioned in corporate bonds with 99% in cash and is holding up very well.

In conclusion of her presentation Jackie informed the Board that she will be unable to attend the next scheduled Pension Board Meeting (Nov. 13, 2013) She suggested that she send Steve Edelman from the corporate office to do the presentation, and would also provide copies of the presentation booklets in advance. It was suggested that she provide a commentary only and deliver it in advance of the scheduled meeting.

She also stated that she will schedule of week of educational training for new and existing city employees during the month of October. The date is not yet confirmed. Jackie concluded her presentation at 10:14 am and left the meeting,

**5. Retirement Applications**

**Shannon Barrett**

- a. Cheshire, Nancy B. – Consolidated Plan, Disability. Single Life Benefit  
Effective 06-01-2013. Monthly benefit \$2,692.70  
Employed 09-25-2000 to 05-31-2013, 12 years 8 months  
Purchasing Manager
- b. Clayton, David S. – Consolidated Plan, Unreduced Early Retirement. Single Life Benefit  
Effective 06-01-2013. Monthly benefit \$3,772.76  
Employed 11-15-1984 to 05-31-2013, 28 years 6 months  
Police Lieutenant
- c. Warren, James T. – 4022 Plan, Unreduced Early Retirement. Alternate Magic 80 Single Life Benefit  
Effective 06-01-2013. Monthly benefit \$3,805.68  
Employed 10-10-1985 to 05-31-2013, 27 years 7 month  
Fire Commander
- d. Bass, Barry K. – Consolidated Plan, Terminated Vested Early Retirement. Single Life Benefit.  
Effective 07-01-2013. Monthly benefit \$812.00  
Employed 06-20-1977 to 07-14-1989, 12 years  
Director of the Electrical Department
- e. Curtis, Rosalee J. – Consolidated Plan, Unreduced Early Retirement. Single Life Benefit  
Effective 07-01-2013. Monthly benefit \$1,598.73  
Employed 06-11-1990 to 06-28-2013, 23 years  
Administrative Assistant I with Electrical
- f. Darby, Horace L. – Consolidated Plan, Unreduced Early Retirement. Single Life Benefit  
Effective 07-01-2013. Monthly benefit \$2,066.88  
Employed 12-30-1991 to 06-27-2013, 21 years 6 months  
Supervisor Tree Crew
- g. Ford, Kathryn B. – Consolidated Plan, Survivors benefit.  
Effective 07-01-2013. Monthly benefit \$423.87.  
Beneficiary of Fred Ford.

**(Continued) – Retirement Applications**

- h. Rogers, Bonnie H. – Consolidated Plan, Terminated Vested Early Retirement. Single Life Benefit  
Effective 07-01-2013. Monthly benefit \$594.49  
Employed 02-05-1987 to 02-08-1997 and 11-16-1978 to 06-09-1983, 14 years 6 months  
Assistant Director Emergency Communications
- i. Dantzler, Ronnie E. – Consolidated Plan, Unreduced Early Retirement. 100% Pop-up joint and survivor benefit. Effective 08-01-2013. Monthly Benefit \$3,239.55.  
Employed 12-01-1978 to 07-31-2013, 34 years 8 months  
Supervisor Substations Electrical
- j. Leggett, Larry L. – Consolidated Plan, Unreduced Early Retirement. Single Life Benefit.  
Effective 08-01-2013. Monthly benefit \$3,601.80  
Employed 10-15-1984 to 07-31-2013, 28 years 9 months  
Foreperson Electrical
- k. Miller, Daryl W. – Consolidated Plan, Early Retirement. Single Life Benefit.  
Effective 08-01-2013. Monthly benefit \$829.79  
Employed 07-21-2003 to 07-31-2013, 10 years  
GIS Coordinator
- l. Buchannan, Marty R. – Consolidated Plan, Unreduced Early Retirement. Single Life Benefit  
Effective: 09.01.13. Monthly benefit \$1,564.02  
Employed 3-2-1992 to 8-30-2013, 21 years months  
System Operator 11 with the Water Department

**MOTION:  
RETIREMENT APPLICATIONS**

Member Zerbe made the motion to approve the Retirement Applications a-l as read.  
Second to the motion by Member Morgan.

Unanimous approval by the Board

**6. New Business**

- Schedule next Pension Board Meeting

Next regular meeting will be held:  
Wednesday, November 13, 2013  
9:00 – 4<sup>th</sup> Floor Conference Room

*Member Goldstein is not available on this date.*

Sam Lady confirmed that the RFP for Actuary is out for bids. Chairperson Lockhart asked for volunteers to serve on this committee. Members Tim Milligan, Freddy Morgan, Jess Zerbe and Vice Chairperson Barry Echols volunteered.

Judy Burnette, Benefits Mgr, HR – was present and confirmed that she has been working with Rick Steffes, IT, on preparation of a Pension Fund calculation. This calculation will enable all employees to access an estimate of their retirement status.

Sam Lady also commented that CSG will do a formal presentation at the next meeting to update the Board on organization changes.

Member Bruton congratulated and thanked the Pension Board Committee for all their efforts in reaching projected goals.

**7. Adjournment**

Chairperson Lockhart called for a motion to adjourn.

**MOTION:  
ADJOURN**

Member Echols called for a motion to adjourn.  
Second to the motion by Member Milligan.

Meeting adjourned at 10:30 AM

Unanimous by the Board

**PENSION BOARD MEETING**

**Wednesday, August 14, 2013  
9:00 AM – Fourth Floor Conference Room**

**APPROVED THIS** 13 **DAY OF** NOVEMBER, 2013

EA. Lockhart  
Eric Lockhart, Chairperson – Pension Board

**ATTEST:** Elizabeth Hammock  
Elizabeth Hammock, Administrative Assistant II – Human Resources